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The Journal of Development Studies

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/fjds20

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To cite this article: Matthew Tyce (2020) A ‘Private-sector Success Story’? Uncovering the Role of Politics and the State in Kenya’s Horticultural Export Sector, The Journal of Development Studies, 56:10, 1877-1893, DOI: 10.1080/00220388.2020.1715944

To link to this article: https://doi.org/10.1080/00220388.2020.1715944

Published online: 11 Feb 2020.

The Journal of Development Studies, 2020
Vol. 56, No. 10, 1877–1893, https://doi.org/10.1080/00220388.2020.1715944

A 'Private-sector Success Story'? Uncovering the Role of Politics and the State in Kenya's Horticultural Export Sector

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(Original version submitted August 2019; final version accepted December 2019)

ABSTRACT *Kenya's horticulture sector is often heralded as one of sub-Saharan Africa's principal success stories. The country has become the region's largest exporter of fresh fruits, vegetables and cut flowers to Europe and the sector is a major source of foreign exchange, employment and poverty reduction. Generally, the existing literature presents this as 'a private-sector success story', whereby a supposed limited role for the state allowed the private-sector to develop independently and innovatively react to shifting global market dynamics and sourcing strategies of European lead firms. This reflects the fact that research on Kenya's horticultural sector has been dominated by scholars from a Global Value Chains/Global Production Networks (GVC/GPN) tradition, who tend to neglect the explanatory power of domestic political economy. This paper challenges these market-focused readings, arguing that the Kenyan state – and particularly the broader political context in which it is located – has played a more important role in Kenya's horticultural success story than has generally been acknowledged. Using an historically-grounded form of political settlement analysis, this paper shows how domestic political economy and state-business dynamics have fused with the more transnational factors identified by GVC/GPN scholars to drive rapid and constant growth in Kenya's horticultural exports since the 1970s.*

1. Introduction

Kenya's horticultural sector is often heralded as one of sub-Saharan Africa's success stories. The country is the largest supplier of vegetables to the European Union (EU), exporting green beans, peas, avocados and so-called Asian vegetables. Kenya is also the world's fourth-largest exporter of cut flowers, specialising particularly in roses, of which it is the biggest exporter to the EU. Domestically, horticulture is Kenya's second-biggest foreign exchange earner after tea, accounting for 21.4 per cent of the total value of its exports (Kenya National Bureau of Statistics [KNBS], 2018). The sector is also heralded for reducing poverty through large-scale employment, though some scholars have questioned the terms and conditions of such employment, and therefore its 'ameliorative' effects (Dolan, 2005).

Explanations for Kenya's horticultural success emphasise the role of 'market forces' (Kazimierczuk, Kamau, Kinuthia, & Mukoko, 2018, p. 11) and 'private-sector led development' (Steglich, Keskin, Hall, & Dijkman, 2009, p. 22). The state has either been 'conspicuous by its absence' (Steglich et al., 2009) or characterised by a 'limited' (McCulloch & Ota, 2002, p. 4; Bolo, 2006, p. 4) or 'minimal' presence (Golub & McManus, 2008, p. 29; Minot & Ngigi, 2004, p. 61). Yet this has actually 'been a blessing in disguise, as it allowed the private-sector to get on and organise

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itself, to source technology and expertise … and put in place its own coordination mechanisms' that adapted innovatively to shifting market dynamics and standards (Steglich et al., 2009, p. 25). By presenting such a picture, researchers studying Kenyan horticulture – coming largely from a Global Value Chains/Global Production Networks (GVC/GPN) tradition – have also inadvertently helped multilateral donor organisations, who adopt their language around value-chains and inter-firm transactions but neglect the power-relations between these actors, to present the sector as a 'darling of neoliberal prescriptions' (Mwangi, 2018, p. 15). Indeed, a World Bank-commissioned book on *How some developing countries got it right* suggested that one of the 'morals' which could be taken from Kenyan horticulture is that 'achieving growth depends on leaving the private-sector alone' (Whitaker & Kolavalli, 2006, p. 360).

This paper nuances such market-focused readings, arguing that the state has played a more significant role than has hitherto been recognised by scholars, whose analyses revolve around arms-length provision of a 'favourable business climate' and periodic interventions in research, logistics and quality assurance (Golub & McManus, 2008, p. 29; Ouma, 2012). Using – but also nuancing – a typology by Horner (2017), which identifies four roles for states within GVCs/GPNs, the paper shows that the Kenyan state has performed all four within the horticulture sector, albeit with variations in the nature and degree over time. Most consistently of all – and, indeed, most in line with existing accounts – it has performed a strong facilitative role since the mid-1970s, remedying constraints around infrastructure, airfreight, market access and inputs. The state's regulatory role, by contrast, has ebbed and flowed, receding during the 1980s and 1990s as fiscal crisis meant the state began 'outsourcing' these functions to private actors, but undergoing a resurgence thereafter according to the ideological and developmental priorities of successive political leaders. The state has also played something of a producer role, albeit a messier and more relational version than the static, ideal-type identified by Horner (2017). This is because it has not been the Kenyan state, per se, that has been a producer, but particular state and political elites who, from as early as the 1960s, bought into private horticultural enterprises as silent partners and owners. Essentially, this gave these enterprises a level of prestige and support that one would associate with state-owned enterprises, allowing them to experiment and serve as a demonstration effect to subsequent investors. Finally, the paper identifies a fourth role for the Kenyan state, as a buyer of certain horticultural products – a role that it undertook specifically in relation to smallholders, who for both developmental and political reasons the government of the 1980s was keen to integrate into production.

To offer a coherent and systematic analysis of these variations in the state's presence within the sector, and the exact form that its different roles took, this paper uses a political settlements approach. Essentially, political settlement analysis (PSA) looks at how the distribution of power between ruling coalitions and competing factions influences the orientation of policymaking and the nature of state-business relations. It complements the more transnational factors identified by GVC/GPN scholars by making domestic political economy and state-business dynamics an equally-important part of the picture. After outlining this approach in the following section, the paper offers an historical overview of how Kenya's horticultural sector has developed over time, along with a summary of how scholars have explained its growth patterns. The remaining sections then apply the political settlements framework to the case-study, drawing on archival research and key informant interviews to show how political and state dynamics have been more significant within each period than has been recognised.[1] Concluding, the paper argues that PSA offers a fuller and more nuanced account of the drivers of growth in Kenyan horticulture, as well as the state's inclination and capacity to govern it. This suggests that PSA can be used to examine other sectors and settings where GVC/GPN analyses predominate.

2. Conceptualising the role of politics and the state

The literature acknowledges that political and state dynamics have played a role in Kenya's horticultural story. There is, for example, broad consensus that the state has been effective in undertaking its facilitative role, though even this has seemingly diminished along with a shift to private standards and liberalisation in the 1990s (Dolan & Humphrey, 2004; Ouma, 2010). In terms of broader political dynamics, there are references to firms being 'owned by politically-linked Kenyan families' (Kazimierczuk et al., 2018, p. 4), whose presence may have secured 'preferential treatment' for the sector (Whitaker & Kolavalli, 2006, p. 352). However, these 'extra-firm' dynamics have generally not been analysed systematically or coherently, and have mostly been relegated to second-order importance behind lead firms and their networks, which is the core analytical focus of GVC/GPN scholars who dominate Kenyan horticulture research (for example, Riisgaard, 2009; Tallontire, Dolan, Smith, & Barrientos, 2005). Even a study that explicitly sought to focus on domestic political economy dynamics – including by using the language, if not some of the core conceptual specificities, around political settlements – broadly echoed the findings of GVC/GPN scholars by concluding that the sector has been 'privately-driven' and generally 'left to market forces' (Mitullah, Kamau, & Kivuva, 2017, p. ix).

According to Behuria (2019, p. 1), the neglect of non-firm dynamics is a feature of the 'overly-depoliticised' GVC/GPN literature as a whole, as it has often 'overlooked the role of the state and the explanatory power of domestic political economy', despite growing attempts to integrate such factors since the 2000s. Initially, these came from GPN scholars who distanced themselves from the language and conceptual orientation of GVC approaches, which they criticised for 'focus[ing] narrowly on the governance of inter-firm transactions' within vertically-organised 'chains' (Coe, Dicken, & Hess, 2008, p. 272). For GPN scholars, the 'network' metaphor, along with linked concepts like 'strategic coupling' and 'territorial embeddedness', overcame the limitations of GVC approaches by complementing vertical analyses with horizontal perspectives that emphasised the role of geography and local institutional context in shaping chain dynamics (Coe et al., 2008).

These critiques prompted self-reflection amongst GVC scholars, who also incorporated a 'more sophisticated institutional analysis' (Neilson & Pritchard, 2009). This saw the conceptual cleavages between GVCs and GPNs narrow, with both increasingly emphasising the interplay between vertical and horizontal governance. However, a limitation shared by both was that the kind of institutional analysis adopted was generally focused somewhat narrowly on formal institutions, while the state – if it was mentioned at all – was portrayed as just one actor amongst many within the local institutional environment; no longer 'external' to GVC/GPN accounts, but still largely peripheral. These observations led Smith (2015, p. 290) to demand 'a more adequate theorisation of the state … in GPNs and GVCs'. Horner (2017) answered the call, identifying four roles for states – as facilitators, regulators, producers and buyers. However, there remains little sense about how different kinds of political context might shape the state's ability to undertake these roles, or generally contribute to the governance of GVCs/GPNs, the latter of which continues to be framed as a largely corporate affair (Alford & Phillips, 2018).

Following Behuria (2019), this paper argues that PSA offers a cogent framework for understanding how domestic political and state dynamics fuse with transnational GVCs/GPNs to influence governance outcomes. Khan (2010, p. 4) defines a political settlement as 'a combination of power and institutions that is mutually-compatible and sustainable in terms of economic and political viability' His typology identifies four settlement-types based on the horizontal and vertical distribution of power (Table 1).

The horizontal distribution of power, measured by the strength of excluded factions vis-à-vis the ruling coalition, explains why political and bureaucratic elites adopt longer-term perspectives in their decision-making, as the presence of strong excluded factions may preoccupy them with their own political survival. The vertical distribution of power, meanwhile, captured by the strength of lower-level actors within the ruling coalition, shapes the state's implementation capacities. This is because

Table 1. Political settlement-types

		Excluded factions	
Lower-level actors		**Weak**	**Strong**
	Weak	Potential Developmental Coalition	Vulnerable Authoritarian Coalition
	Strong	Weak Dominant Party	Competitive-Clientelism

strong lower-level actors – who include party footsoldiers that help to mobilise support within key constituencies, or who are influential in nominating political candidates – may utilise their holding power to resist the policy preferences of leaders and secure greater flows of privileges and rents for themselves. Based on a reading of the structure of power alone, then, Khan's framework suggests that Potential Developmental Coalitions may enable the most capable and coherent states. This is because the horizontal and vertical concentration of power is likely to endow ruling elites with longer time-horizons and the enforcement capabilities required to invest in state capacity, including the functions that GVC/GPN scholars have identified, particularly around regulation.

However, there is more to PSA than the structure of power alone. Khan (2010) also encourages scholars to examine the political influence and technological capacities of relevant capitalists, with 'relevant' here depending on the level of analysis adopted – that is whether one is looking at capitalists in a particular sector, as is the focus here, or the economy generally. This is because capitalists who are influential *and* capable may utilise their holding power to lobby for selective productivity-enhancing interventions, or even for their sector to be somewhat insulated from the corrosive political dynamics that may be undermining governance within other areas of the economy. Politically-influential but non-capable capitalists, by contrast, may only reinforce the settlement's predatory and clientelist tendencies by engaging in collusive and particularistic state-business relations, given that they will be less interested in securing rents to invest in learning or other productive activities. This paper, then, will explore the structure of power within and outside the ruling coalition, and how this has interacted with the structure and practices of the private-sector to shape Kenya's horticultural success story.

3. Existing explanations for Kenya's horticultural success story

This paper adopts a broad definition of Kenya's horticulture sector that spans fresh vegetables, fruits and flowers (focusing on export-focused firms/farms). In so doing, the paper potentially opens itself up to criticisms from GVC/GPN scholars that it lacks nuance in discussing 'the private-sector', given that they generally focus on the varying relationships in networks of firms and suppliers within just one of these segments, or even a particular product. However, the aim of this paper is to flag the broader political and state-business dynamics that cut across these segments – dynamics that Behuria (2019) argues can be missed when researching individual segments or products.

Figure 1 paints a picture of the impressive growth in Kenya's horticultural exports, particularly since the 1990s. Unfortunately, there is no time-series data for cut flowers before 1990, but archival records indicate they followed a similar pattern to fruits and vegetables, with slow growth during the 1960s and early-1970s before an uptick in 1974, when officials observed a 'rapid growth of flower exports'.[2] Thereafter, Kenya's horticultural sector moved through a series of growth episodes of increasing magnitude, particularly for floriculture. These can be roughly periodised as 1975–1989, 1990–2000 and 2001–2007. The trend of escalating growth was, however, broken by the 2008–2016 period, when growth became less pronounced and more erratic.

Explanations for these periods broadly fit the contours of a GVC/GPN reading. The slow growth before 1974 is attributed to the absence of a value-chain that could handle the logistical complexities of transporting highly-perishable horticultural produce. However, technological advancements in aviation during the early-1970s, combined with the growth of Kenya's tourism sector, meant that jets with large cargo holds were regularly flying to Europe, allowing Kenya to cater to increasing demand for year-round supply of previously-seasonal fruit and vegetables (Whitaker & Kolavalli, 2006). Another factor that assisted Kenyan horticulture was the expulsion of the Asian community from Uganda in 1972, many of whom emigrated to, and established import businesses in, the United Kingdom (UK). This helped with penetrating supermarkets because many Kenyan Asians in the fruit and vegetable trade had familial and social connections with those expelled from Uganda (Dolan & Humphrey, 2004).

The uptick in exports from the late-1980s is often linked to liberalisation reforms that unshackled the private-sector from foreign exchange, freight and import controls. This allowed

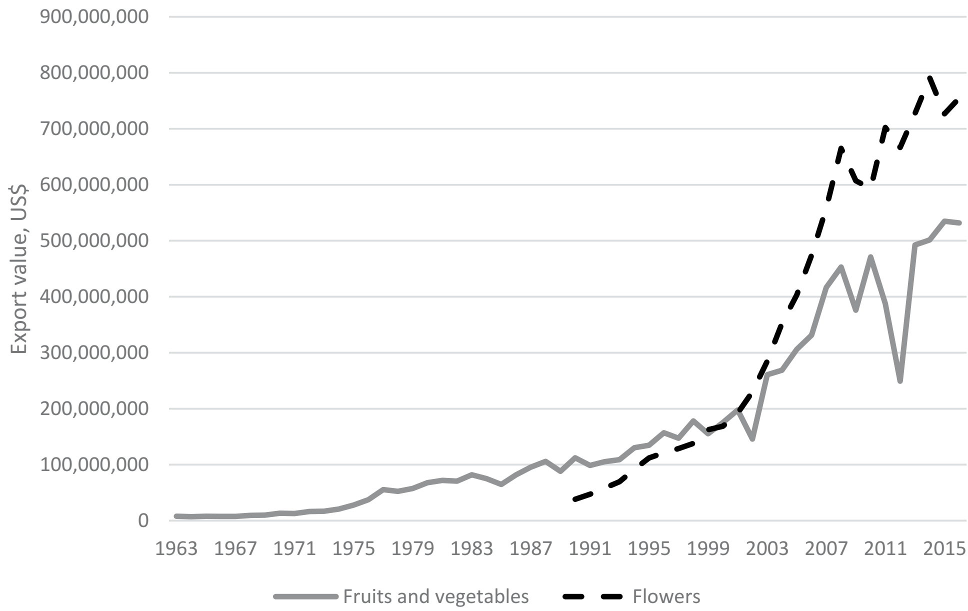

Figure 1. Value of Kenyan horticultural exports, 1963–2016.
Source: Data for fruits/vegetables comes from the FAO (http://www.fao.org/faostat/en/#home). Statistics for flowers come from UNCOMTRADE, using product code HS-06 (https://comtrade.un.org).

firms to adapt to evolving market dynamics and the shifting standards and sourcing strategies of lead firms, particularly European supermarkets, within an increasingly buyer-driven value-chain (Steglich et al., 2009). Kenyan horticulture then received a further boost with a relatively benign set of global economic conditions – in addition to the more stable domestic macroeconomic environment that followed Kenya's liberalisation reforms – during the early-2000s (Golub & McManus, 2008).

Seemingly vindicating the emphasis on external market drivers, scholars point to the volatility in exports since 2007 to illuminate the flip-side of the coin, as it is a period in which Kenya faced worsening global conditions. This began with the Global Financial Crisis of 2008/09 and was followed by airfreight chaos throughout 2010, triggered first by an Icelandic ash cloud and then by heavy European snowfall. Kenya then endured a 2012 ban on some vegetable products, imposed because many firms did not meet EU regulations on chemical use, then uncertainty between 2014 and 2016 over the renewal of the EU's European Partnership Agreement, which gives East African Community (EAC) members preferential market access (Kazimierczuk et al., 2018).

Clearly, a GVC/GPN reading provides convincing explanations for the broad shifts in Kenyan horticulture. However, this paper argues that these accounts must be nuanced by incorporating a role for domestic political economy dynamics that are largely missing from the analysis, save for occassional references to the state's coordinative role and politicians having commercial interests within the sector. To bring these factors coherently into the discussion, the paper will deploy the political settlements framework outlined previously, structuring the analysis by using the same periodisations that have emerged from this section – beginning with how Kenya's political settlement contributed to the period of slow growth between 1963 and 1974, then the periods of escalating growth in 1975–1989, 1990–1999 and 2000–2007, before finishing with the period of volatility from 2008. This will illuminate the role that political and state dynamics have played in shaping the outcomes of each, while also offering a fuller and more nuanced account of how domestic and transnational factors have combined in the development of Kenya's horticultural sector generally.

4. 1963-1974: 'the government did not think there was any money in it.'

Kenyan horticulture developed relatively slowly between 1963 and 1974. Export values increased by four per cent annually, but this actually saw horticulture's share of total agricultural exports fall below three per cent by 1974 because other sectors like tea and coffee grew faster (Minot & Ngigi, 2004). Explanations for these outcomes hinge on the logistical and technical complexities of the trade, which presented difficulties in transporting perishable produce in large quantities without the technological developments in aviation and linkages to European importers that developed from the mid-1970s (Dolan & Humphrey, 2000). Horticulture was seen as little more than a side-trade to supplement cash-crops like tea and coffee, especially since there was not yet widespread demand in Europe for out-of-season produce.

While these are useful insights into private-sector perspectives, scholars offer few insights into how these realities influenced decisions by political and state elites about which agricultural sectors to support and what institutional arrangements to devise within them. Throughout the 1963–74 period, Kenya's President was Jomo Kenyatta, who presided over a Weak Dominant settlement. Excluded factions were weak because Kenyatta combined his legitimacy as an independence leader with control over state patronage to assemble a relatively inclusive ruling coalition. Lower-level actors, meanwhile, were strong because Kenyatta introduced competitive one-party elections that helped him to co-opt ambitious politicians and remain responsive to local grievances (Branch, Cheeseman, & Gardner, 2010). However, the direction of policy-making was strongly shaped by the interests of his Kikuyu ethnic group, which in agriculture centred on traditional crops, like tea and coffee, that were grown in areas they inhabited. These sectors received the most state support, drawing it away from sectors like horticulture, which had little high-level political representation or backing (Ochieng, 2010).

Yet there was an upside to this lack of interest, as it meant that Kenyatta's government declined to create a marketing board, the like of which operated across Kenya's tea, coffee and cotton sectors (Bates, 2005). Archival records reveal that, while there had been internal discussions about assuming these functions, the government opted against this because the complexity of dealing in 'highly-perishable commodities' within a 'dynamic and changing international economy' made horticulture 'the most merciless business of all'.[3] Instead, the state limited its presence to the Horticultural Crops Development Authority (HCDA), which was created in 1967 to coordinate, regulate and develop the sector. HCDA was chronically under-staffed and resourced, reflecting Kenyatta's focus on developing coffee and tea within a Weak Dominant settlement where the state's resources and implementation capacities were limited. However, archival records reveal that these challenges only reinforced a sense of mission amongst HCDA officials that they should play an 'indirect' and 'facilitative' role in developing a 'highly-sophisticated export trade' whose 'success depends on cooperation'.[4] Officials instructed firms to form an 'independent exporters association' that could assist with 'formulation of policy recommendations', 'cooperate with government in collecting and disseminating information' and undertake 'joint marketing overseas'.[5] These were, then, important institutional developments, the importance of which truly become apparent in subsequent periods.

HCDA's commitment to a facilitative approach, combined with a lack of pre-existing vested interests within the sector, also meant there were no real barriers to entry, save for the logistical and relational barriers globally. HCDA was open to licencing any investors who showed an interest, so long as they could organise their logistics and buyer networks. This meant that the majority of registered firms, which numbered 36 predominantly European and Kenyan Asian exporters by 1973, had high organisational and technical capacities (English, Jaffee, & Okello, 2006). In terms of their political influence, this section has shown that horticulture generally lacked salience in the eyes of ruling elites, given that it made neither large-scale contributions to foreign exchange nor employment. However, this did not necessarily mean that individual firms were uninfluential, as some were strategic in bringing on politically-influential shareholders to secure access to support that the sector generally lacked.

A prime example is Dansk Chrysanthemum Kultur (DCK), which almost single-handedly drove Kenya's flower exports during this period (English et al., 2006). Established in 1969, DCK's owner reputedly gave shares in its East African subsidiary to the Agriculture Minister and Attorney General, which helped to secure a comprehensive support package that included a low-cost long-term lease on 6,000 hectares of land, unlimited expatriate work permits and a 25-year guarantee against changes to taxation and profit repatriation laws. On the fruit and vegetables side, Kenyan Asian investors took on influential Kenyan African, and particularly Kikuyu, individuals as directors to stave off the Africanisation pressures of these years, which aside from anything made it difficult getting produce onto Kenya Airways flights that offered preferential access to 'indigenous' Kenyans (English et al., 2006). There were, then, a growing web of political interests within the sector. These were unable to secure coherent state support for horticulture during this period, but would help to catalyse its take-off in subsequent ones.

5. 1975-1989: growing coordination and support

Horticultural exports surged from the mid-1970s, continuing this trend throughout the 1980s. From a Kenyan political economy perspective, these are intriguing outcomes, since this was otherwise a period in which almost every other sector was stagnating or declining (World Bank 1989). Partly, these worsening macroeconomic outcomes were caused by unfavourable global dynamics, as the late-1970s saw crashes in commodity prices for tea and coffee and a spike in oil prices. However, they also resulted from shifting political dynamics, or specifically a shifting political settlement, that began with President Kenyatta's death in 1978.

Kenyatta's health had been deteriorating for years, resulting in policy uncertainty as factions fought to succeed him (Nyong'o, 1989). Eventually, Kenyatta decreed that Vice-President Daniel arap Moi, a member of the smaller Kalenjin ethnic group, would be President, partly because Kenyatta felt that Kenya's ongoing stability relied on Kikuyus sharing the Presidency. However, while this ensured a relatively seamless transfer of power, it could not prevent factional conflict within the Weak Dominant Party during Moi's early Presidency, as Moi had less patronage resources to co-opt rivals than his predecessor. The result was an attempted coup in 1982, which shifted Kenya's settlement towards Vulnerable Authoritarianism. Moi expunged implicated groups like the Kikuyu and Luo from his coalition and turned to a narrow alliance of previously-peripheral pastoralist groups. To undermine the holding power of these newly-excluded factions, Moi set about dismantling the industries and sectors in which they were predominant. Within agriculture, this included coffee and to some extent tea, grown mainly by Kikuyus, as well as cotton, the principal growing-regions for which were in Luo heartlands (Ochieng, 2010).

The observation that horticulture moved in the opposite direction to almost every other sector during these years is offered by some scholars as a possible indicator that it operates along a 'different development path, one independent from the state' (Kazimierczuk et al., 2018, p. 15). Instead of domestic political economy factors explaining the sector's impressive outcomes, scholars emphasise external factors including technological developments in aviation and the decision by many expelled Ugandan Asians to establish horticultural import businesses in the UK, which helped Kenyan firms with penetrating European supermarkets (Dolan & Humphrey, 2004).

While these factors were important, particularly in driving the initial uptick in exports, suggestions that Kenya's horticulture sector was independent from the state, and certainly from broader political dynamics, should be nuanced. One can perhaps more accurately say that it was insulated from the state's more predatory tendencies during this period of Vulnerable Authoritarianism, when corruption otherwise became 'rampant … at all levels of the state' and 'infected almost all areas of the economy' (Branch et al., 2010, p. 15). Part of the explanation for this comes from the sector's institutional arrangements, as the absence of a marketing board meant that 'there was little that Moi's cronies could grab and dismantle like in coffee or cotton'.[6] However, referring to the second prong of Khan's political settlement framework, explanatory power also comes from the structure of the private-sector within Kenyan horticulture, which persuaded political and bureaucratic elites to adopt a different governance logic than they did almost anywhere else.

The previous section characterised horticultural firms during the 1960s and early-1970s as capable but lacking in influence. From the mid-1970s, they became much more influential, most obviously because of their growing economic contribution. The sector's improving fortunes from around 1974, coupled with the simultaneous decline in Kenya's traditional sectors, meant that horticulture became an important contributor to foreign exchange and employment (Mitullah et al., 2017). This gave the sector more salience in the eyes of politicians and bureaucrats, as documented by one HCDA official in 1975 who remarked that 'horticulture is receiving a much higher priority than before within the ministry'.[7]

However, the sector's increased holding power also came from the ownership of some businesses within it. Until the late-1970s, Kenyan Asian fruit and vegetable exporters had experienced operational difficulties because Kenyatta's Kikuyu clique – which saw Kenyan Asian capitalists as a threat to its commercial supremacy – used the rhetoric of Africanisation to stifle their businesses, in horticulture and beyond. Yet this was exactly what led President Moi to identify Kenyan Asian capitalists as natural allies in his campaign to weaken the Kikuyu business class. From the early years of his Presidency, then, Kenyan Asian-owned firms enjoyed a more permissive business environment, less constrained by discretionary processes around licencing and airfreight.[8]

The cut flowers segment, meanwhile, saw investments from powerful politicians and bureaucrats (Kazimierczuk et al., 2018; Mitullah et al., 2017). These included Moi's Vice-President for much of this period, George Saitoti, as well as, later on, even Moi himself. Intriguingly, these individuals bought into the sector through a somewhat warped and personalised version of the 'demonstration effect' that Behuria (2019) observes in Rwanda, where the state has made signature investments in tourism and manufacturing to encourage investors. This is because DCK – the large-scale flower farm that secured the Attorney General and Agriculture Minister as shareholders – collapsed in 1976, when its parent company was charged with tax avoidance in Germany. This triggered a scramble for DCK's Kenya assets, some of which were bought up by state organisations like the Agricultural Development Corporation, before being parcelled out to Moi allies who established spin-offs in partnerships with foreign investors and former DCK managers. These included Sulmac, which became the world's largest exporter of carnations, its shareholders reputedly including Saitoti as well as the Attorney General Njonjo.[9] Critically, these individuals played the role of silent owners and partners, leaving operational issues in the hands of capable managers who were networked with buyers. This is because the DCK operation had demonstrated that floriculture offered 'quick returns' to those with access to cheap land and financial capital, which 'politicians had in abundance'.[10] It also offered chances to 'launder money and get it out of the country', particularly when influential shareholders could pressure the Ministry of Finance's tax department to turn a 'blind eye' to transfer-pricing schemes.[11]

These shifts in the sector ensured widespread commitment to shielding horticulture from the most predatory aspects of Kenya's Vulnerable Authoritarianism, creating a kind of sectoral growth coalition. Significantly, this manifested itself in a commitment to establishing a more coherent state presence, at least in terms of its facilitative capacities, so as to make extracting rents more efficient (Mitullah et al., 2017). The result was a small – albeit not dramatic, given the limited public resources available – increase in HCDA's funding, allowing it to increase its workforce and support services. HCDA's management structure was also overhauled. Martin Mulandi, a technocrat who had risen through HCDAs ranks, was appointed as CEO, to the delight of industry players who regarded him as a 'competent individual' with 'a real vision for the industry'.[12] Significantly, given that this was a time when Moi was creating a 'patronage merry-go-round' within the wider bureaucracy, Mulandi remained in place for over a decade, offering much-needed stability and coherency to the increasingly-insulated horticulture sector (Kelsall & Booth, 2010). At the board level, meanwhile, HCDA's elevated status was reflected in the appointment of powerful chairpersons like Kasanga Mulwa, an ex-MP who led parliament's Defence committee during Moi's early presidency, and was one of the first domestic movers into horticulture. These appointments gave HCDA unprecedented political influence as well as capacity.

HCDA's increased resources and coordination capabilities allowed it to invest in horticulture-specific infrastructure like irrigation, collection centres, refrigerated trucks and cold stores at airports

(World Bank 1989). A significant portion of the funds came from external sources, which were leveraged by HCDA’s visionary CEO, Mulandi, who used his ‘networking skills’ to convince donors that HCDA was a credible agency.[13] Much of this infrastructure was targeted at smallholders, reflecting the government’s desire to integrate them into production as well as the fact that many of the sector’s larger players already had fully-integrated businesses. Other strategies to support smallholders included designing an information system that offered updates on market trends in importing countries. HCDA also bought some less-perishable products from smallholders to market on their behalf, both domestically and abroad, in an example of the state playing a (limited) buyer role (World Bank 1989). Aside from assisting smallholders with their marketing, archival records reveal that this move to ‘engage directly on export of horticultural produce’ was motivated by the need to ‘earn revenue’ that could supplement HCDA’s still inadequate budget and enable an extension of support services, as well as help the organisation to ‘understand the actual benefits’ and challenges that all exporters faced.[14] Additionally, HCDA tapped into growing donor enthusiasm – and financing – for contract farming by negotiating and administering out-grower schemes between smallholders and exporters (Dolan, 2005). Overall, these efforts meant that, by the late-1980s, smallholders accounted for around half of Kenya’s fruit and vegetable exports and up to 10 per cent of cut flowers, albeit mainly lower-tech varieties like summer flowers (Jaffee, 1994). Nonetheless, this still marked Kenya out as an almost unique case amongst floriculture exporters, as the capital-intensive nature of the trade normally makes it prohibitive for smallholders (Mwangi, 2018).

As to why the state sought to integrate smallholders, two factors stand out. First, and most obviously, Kenya was experiencing major declines in foreign exchange and employment, owing to the collapse of traditional sectors like tea and coffee. Moi’s Vulnerable Authoritarian Coalition was facing unrest across the country, but particularly in areas where these sectors had been concentrated (Ochieng, 2010). The opportunity, therefore, to ease tensions by shifting smallholders into horticulture would have appealed. Second, the use of contract farming as a tool for integrating smallholders also helped to boost the profits of many of the sector’s politically-influential enterprises, given that these contracts tended to ‘lock in’ farmers – or, indeed, whole families – under tough terms while obviating the risks for contractors, since they did not need to invest in land or labour management (Bolo, 2006, p. 1).

Beyond integrating smallholders, archival records reveal that HCDA utilised its elevated standing in government to lobby the Aviation Authority for higher proportions of fresh produce on outbound planes, as well as for improved handling and export procedures at airports, both of which emerged as constraints from 1975. As the 1980s progressed, and as airfreight again became an issue, HCDA also convinced the Transport Ministry to introduce ‘a more flexible licensing policy’ that allowed more airlines to fly through Nairobi to uplift fresh produce, despite resistance from national airline KQ.[15] On the international stage, HCDA officials launched a market diversification strategy that aimed to ease reliance on Europe, leading trade missions across Asia, the Middle-East and US. The state, then, had a far more active presence during this period – across all four roles – than has generally been acknowledged, demonstrating a level of coherency that was not witnessed in any other sector at this time.

6. 1990-2000: liberalisation

The 1990s saw exports reach another level of magnitude, particularly for flowers. Explaining these outcomes, scholars emphasise the liberalisation reforms that were supposedly foisted on Kenya by external actors. These removed controls around foreign exchange, imports and airfreight, thereby unleashing the innovative force of firms to adapt to evolving market conditions and buyer-imposed standards (English et al., 2006). The reforms also supposedly fostered a more stable domestic macroeconomic environment, particularly in terms of exchange rates and inflation, which an export-focused sector like horticulture requires to expand (Golub & McManus, 2008).

Yet domestic political dynamics also contributed to these outcomes. Kenya’s shift to liberalisation occurred alongside a shift in its political settlement to Competitive-Clientelism, as Moi acceded to growing internal and external pressures from the late-1980s to schedule multiparty elections. To fund his vote-buying, Moi devised political financing schemes like the infamous Goldenberg scandal of 1990–1993. This took advantage of a donor-promoted export compensation scheme to drain Kenya's economy of around 10 per cent of its GDP through compensating fake gold exports. Details of Goldenberg emerged in early-1993, just after Moi had scraped through the 1992 elections, prompting a furious reaction from donors who conditioned a continuation of their support on substantial economic reform and withdrawing the compensation scheme.

However, domestic actors were also powerful proponents of reform. These included powerful business lobbies whose members were suffering from the contagion that followed Goldenberg, whereby inflation and exchange rates deteriorated rapidly. Of the lobbies, some of the most powerful were those representing horticulture, notably the Kenya Flower Council (KFC) and Fresh Produce Exporters Association of Kenya (FPEAK). Both were well-networked – FPEAK, for example, was led by Kasanga Mulwa, a former MP and Chair of HCDA – and both persuaded Moi's inner-circle that the sector needed macroeconomic stability to continue prospering, particularly after losing the export compensation facility with the exposal of Goldenberg. Here, the horticulture sector had a powerful ally in the new Central Bank Governor Micah Cheserem, appointed in 1993. Cheserem owned a flower farm and therefore had personal incentives to foster stable inflation and exchange rates.[16]

Beyond macroeconomic stability, horticultural associations lobbied the state to facilitate the sector in other ways. One example is their contribution to Kenya Airways' eventual privatisation in 1995. Throughout the early-1990s, KFC and FPEAK regularly complained to HCDA that KQ would increase its horticultural produce charges without warning, while its on-the-ground subsidiary, Kenya Airfreight Handling, levied 'excessive fees' for a monopoly service characterised by inefficiency and wastage.[17] This meant that airfreight and handling comprised up to 50 per cent of some exporters' costs. Horticultural associations therefore pushed for KQ to be privatised and partnered with a cargo operator that had distribution networks across Europe. Revealing how much weight these demands carried, the government not only privatised KQ with less of the blatant corruption that marred other privatisations during this period, but chose KLM as a strategic investor (Debrah & Toroitich, 2005). This pleased horticultural associations because of Holland's importance as an export market, particularly for flower exporters using the Amsterdam auction.[18]

Apart from relinquishing control over foreign exchange, import licences and airfreight, the state also withdrew from many of its regulatory responsibilities (Ouma, 2010). Instead, this form of governance was taken on by private actors like European supermarkets and sustainability initiatives, through increasingly-stringent standards and certification schemes (Dolan & Humphrey, 2000). These observations seem to further corroborate the sense of Kenyan horticulture being independent from the state.

However, such accounts underplay the agency of domestic actors in purposively withdrawing the state from this role, in a process similar to what Mayer and Phillips (2017) have termed 'outsourcing governance'. Kenya's shift to Competitive-Clientelism came with huge costs to state capacity, given the incentives that it created for President Moi to foster a patronage merry-go-round within the bureaucracy and to plunder state resources that could finance elections. This, combined with the accumulated effects of years of fiscal crisis, meant the state had neither the resources nor the inclination to credibly meet the growing demands of its regulatory role (Dolan, 2005). Even HCDA endured budget cuts during the 1990s, though the importance of the horticultural sector meant that they were perhaps less severe than elsewhere.[19]

However, just as important a factor in the shift to outsourced governance was the structure of the horticulture sector. This is because the preponderance of politically-influential investors who saw horticulture – and, particularly, floriculture – as not just a lucrative business in its own right, but also as a way of laundering money and getting it out of the country, meant there was little appetite for implementing a stringent domestic regulatory regime that would only add to the costs of complying with international standards and certifications (Mitullah et al., 2017). Instead, there was a preference for a 'freewheeler' regulatory environment where firms would face little scrutiny in areas they could still cut corners domestically, with the state deliberately turning a blind eye to these regulatory transgressions, particularly those of the politically-influential firms.[20] This helps to explain why the dramatic increase in horticultural exports during the 1990s was also accompanied by claims that the sector was characterised by various social and economic ills, from poor labour and workplace standards to tax-avoidance and destructive environmental practices (Riisgaard, 2009; Tallontire et al., 2005).

7. 2001-2007: 'the golden years'

Kenyan horticulture recorded its strongest period of growth between 2001 and 2007, with fruit, vegetable and flower exports all surging dramatically. Explanations for these outcomes hinge on uncharacteristically-benign global economic conditions as well as a more stable domestic macroeconomic environment that flowed from the liberalisation reforms of the 1990s (English et al., 2006). Scholars also point to efforts by multi-stakeholder initiatives that brought together business associations, donors and NGOs to reduce the compliance costs for smallholders in meeting the proliferation of standards and certifications from the 1990s, for instance by organising them into farmers groups and offering more coordinated extension services (Ouma, 2010). State organisations are recognised as having played a role within these initiatives, but often a somewhat negative one where their primary motivation was seemingly about 'gain[ing] control of lucrative revenue streams' (Dolan & Opondo, 2005, p. 95).

What is missing from such accounts is the observation that these golden years coincided with the first-term of a new President, Mwai Kibaki, whose National Rainbow Coalition (NARC) laid a foundation for improved growth, in horticulture and beyond. Kibaki was a trained economist and the longest-serving Finance Minister in Kenya's history. This not only endowed him with a clear vision for the economy, but also meant that he was an 'institutional person' who resisted the urge to interfere in the affairs of key macroeconomic organisations like the Central Bank and Ministry of Finance.[21] Instead, Kibaki tried to ring-fence these organisations from the patronage politics and power-struggles that undermined the wider bureaucracy, leaving them largely in the hands of technocrats.[22] The Kenya Revenue Authority (KRA) was another organisation that benefitted from increased resources and autonomy under Kibaki, allowing it to substantially increase tax receipts that helped to fund the ambitious infrastructure programme which was at the heart of NARC's Economic Recovery Strategy. For horticultural firms, notable infrastructural developments were renovations to Kenya's roads, communications networks and airport facilities, many of which were recommended by a Task Force for Horticulture that was composed of both public and private actors, reflecting Kibaki's preference for public-private dialogue.[23]

The developmental priorities of Kibaki's ruling coalition also meant that the state played a more active regulatory role, at least in certain aspects. Kibaki's belief that everyone had to pay their fair share of taxes if Kenya was to finance its budget and free itself from donor control meant KRA began scrutinising horticultural firms more seriously. In particular, KRA sought to clamp down on transfer pricing within the sector, which was estimated, according to a former Commissioner, to cost Kenya hundreds of millions of dollars annually.[24] KRA launched high-profile cases against several horticultural firms, including the then-largest exporter of roses in the world, Karuturi, which filed for bankruptcy after being found guilty of evading US$11 million in taxes (Mwangi, 2018).

However, there was perhaps a flip-side to Kibaki's economic ideas, as the increased tax efforts prompted some firms to diversify to other countries including Ethiopia, which offered more tax exemptions as well as cheaper labour and land costs. According to one source, KFC and FPEAK used their networks to warn that Kenya would lose significant amounts of investment if firms were not allowed to register within Economic Processing Zones (EPZs) that could offer comparable fiscal incentives to Ethiopia.[25] However, Kibaki refused to expand Kenya's EPZ programme to include horticulture, even though its associations maintained that members offered 'just as much, if not more, value-addition as industries like garments' because many washed, trimmed, packaged and branded their produce before exporting.[26] There is a sense, then, that while Kibaki's first term in many ways contributed to the most impressive period in Kenya's horticultural exports, the outcomes could have been even more impressive had there been more flexibility with taxation (though equally one should not understate the extent to which revenues captured from horticultural firms were deployed productively elsewhere). Either way, these findings reveal a pronounced – and, with respect to regulation, growing – role for the state during this period, largely as a result of the ideological orientation of Kibaki and his NARC coalition.

8. 2008-present: reduced and erratic growth

The post-2008 period seemingly encapsulates the primacy of transnational dynamics in shaping Kenya's horticultural sector, as all major dips and fluctuations observed in Figure 1 mirror external developments. The plunge in exports in 2009, for example, coincides with the Global Financial Crisis, which dampened demand in key markets. Added to this was the chaos in airfreight throughout 2010, caused by freak weather conditions in Europe, as well as prolonged drought in Kenya, which restrained the sector's recovery. The decline in vegetable exports in 2012, meanwhile, was partly linked to shifting EU regulations on chemicals, which led to certain products being intercepted in large numbers at its borders, notably the green beans that are Kenya's primary vegetable export. Investor confidence was also undermined by delays in renewing the EU's Economic Partnership Agreement (EPA) with the EAC, as well as uncertainties around Brexit in the UK, which is the largest importer of Kenyan produce after the Netherlands (Kazimierczuk et al., 2018).

The significance of these external dynamics cannot be denied. However, domestic political developments also contributed to this volatility. The first months of 2008, for example, saw sustained election-related violence across Kenya, much of which was concentrated in principal growing regions around Naivasha and Eldoret (Mitullah et al., 2017). This was after opposition leader Raila Odinga rejected Kibaki's victory in the 2007 elections and encouraged a civil disobedience campaign that quickly escalated out of control, given the deep historical grievances that were activated. The result was an internationally-supported mediation process and the formation of a unity government comprising all major factions, whose commitments included long-awaited constitutional reform. This yielded a new constitution, enacted with the 2013 elections, that was generally progressive, but which has had significant – and, to a large extent, unforeseen – ramifications for Kenyan horticulture (and the private-sector generally).

Of these, two issues stand out. First, the constitution – in seeking to address historical grievances around land, and specifically the ownership of large tracts by foreigners – confines non-citizens to 99-year leaseholds and demands that existing freeholds be converted to leases. However, there remains little clarity about how far such agreements will be backdated, causing 'uncertainties' for foreign investors since there have been 'an increasing number of cases where title deeds are being questioned'.[27] This has caused knock-on effects for accessing finance, as 'banks are nervous about land held by non-citizens'.[28] Second, the constitution mandated a devolved governance structure, which was unveiled at the 2013 elections. While devolution has certainly mitigated Kenya's imperial presidency, and brought some development to long-marginalised groups and regions, it has conferred more power on county governments than in other settings, further boosting the strength of lower-level actors within Kenya's settlement and generating strong incentives to resist the national government whenever it is in their electoral interests (Cheeseman, Kanyinga, Lynch, Ruteere, & Willis, 2019). This has further reduced the state's enforcement capacities. In particular, the current government led by Uhuru Kenyatta, which emerged victorious in the 2013 elections, has struggled preventing county governments – even those elected on its own ticket – from imposing taxes and licences on horticultural firms that duplicate those of the national government. Taken together, these issues around land and double-taxation have prompted further divestments in favour of more accommodating countries like Ethiopia (Mitullah et al., 2017).

Additionally, while external dynamics have driven much of the volatility in Kenyan horticulture, the state's role in smoothing out these fluctuations and in finding ways to prevent their repetition should not be ignored. The state may have been pushed into an increasingly reactionary, fire-fighting role by the worsening global economic conditions, but it has still made an important contribution to protecting the sector that would have been beyond the means of private actors alone. Notably, Kenyatta's government cooperated with horticultural associations to send a high-level delegation – comprising public and private actors, including the Trade Minister – to Europe in 2016 to convince the EU that Kenya should, in a novel solution, be able to sign an individual EPA without waiting for other EAC members, who for reasons of regional rivalry and self-interest were reluctant to sign.[29] Additionally, the government has actively tried to mitigate Kenya's reliance on European markets by opening new trade and flight routes to other countries, particularly the US, China and Russia,[30] as well as promoting Kenya's entry into regional value-chains, particularly for small- and medium-sized players (Krishnan, 2018).

The state has also continued reasserting itself within the regulatory sphere, moderating the outsourced regulation of the 1990s with a more co-produced version that emphasises public-private cooperation. A key driver of these increased efforts came from the EU interceptions of Kenyan horticultural products through 2012 and 2013, which threatened hundreds of thousands of jobs as another election was approaching, particularly in regions that supported the government.[31] There was an acceptance that these interceptions, which sometimes even resulted in full-scale bans, stemmed partly from an overly-liberal licencing process by HCDA as well as lax phytosanitary inspections by the Kenya Plant Health and Inspectorate Service, both of which had become complacent within a context where private actors had assumed increasing control over compliance. This led to increasing numbers of 'briefcase exporters' entering the sector that purchased smallholder produce which did not meet environmental and chemical requirements to sell 'for a quick buck'.[32] To remove them, the government enforced a new national horticultural standard, KS1758, and pinned it to the process for obtaining an export licence. This was devised in conjunction with horticultural associations and is being implemented in conjunction with them as well, through a newly-established Kenya Horticultural Council, launched in 2017. Its members include KFC, FPEAK and HCDA in another example of the public-private governance that increasingly characterises Kenyan horticulture (Mwangi, 2018).

9. Conclusion

This paper has shown that domestic political economy dynamics have played a more central role in Kenya's horticultural success than has hitherto been recognised, in particular by shaping the inclination and ability of the state to perform various roles within the sector. The most pronounced has been a facilitative role, which the state has performed consistently – and to a greater degree than acknowledged – since the mid-1970s, when Kenya's horticultural exports took-off at a time when most other sectors were struggling. The state's regulatory role, by contrast, has ebbed and flowed, moving from being largely outsourced in the 1990s to a resurgence from the 2000s, particularly with regards to taxation and export licencing.

In terms of the state's buyer role, this has been on rather a limited scale, confined largely to buying particular products from smallholders during the 1980s as part of HCDA's broadly efforts to integrate small-scale farmers into production (though this progress was somewhat eroded in the 1990s, when the costs of complying with increasingly stringent standards pushed many back out). With regards to its producer role, meanwhile, this paper has nuanced Horner's (2017) typology of state functions, as it has not been the state per se that acted as a producer, but private enterprises that had state and political elites as shareholders, and which essentially enjoyed de-facto status as state-owned enterprises, if not de-jure. These findings, the paper argues, call for a more relational and less static understanding of the state and its functions, one that pays as much attention to power relations within the state as GVC/GPN scholars pay to relations between private actors.

Overall, this paper argues that PSA offers a useful lens for understanding how shifts in power relations along the state-business interface have shaped the ability and inclination of the state to govern the sector, yielding a fuller and more nuanced account of the domestic and transnational drivers of growth in Kenyan horticulture. The paper has also challenged the dominant neoliberal paradigm, the advocates of which have too easily been able to seize on Kenya's horticultural success as an exemplar for their market-led beliefs, inadvertently assisted by GVC/GPN scholars who underplay the explanatory power of domestic political economy in favour of more transnational dynamics. As ever, the state has done more heavy-lifting than some scholars and institutions of paradigm maintenance (cf Wade, 1996) would acknowledge, helping to facilitate and coordinate the sector's growth while cooperating with the private-sector to overcome key constraints within each period. These are important findings, given that horticulture is identified as a sector that fits with the current and future comparative advantage of many developing countries, especially African ones (Whitfield, 2012). Horticulture also has the potential to offer widespread employment within a continent that has the world's highest population rates. It is critical, therefore, to have a nuanced understanding of the roles that both public and private actors can play in developing such sectors.

Acknowledgements

The author would like to thank Sam Hickey, Pritish Behuria and Rory Horner for their invaluable comments on previous iterations of this paper.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

This research was funded by an Economic and Social Research Council (ESRC) PhD studentship as well as the Effective States and Inclusive Development (ESID) research centre.

Notes

1. The methodology employed by the researcher is explained in detail in the Appendix.
2. 1975 Ministry of Agriculture report, 'Development of exports in fresh fruits, vegetables and flowers.' KNA/AHM/1/1.
3. 1975 Ministry of Agriculture report, 'Development of exports in fresh fruits, vegetables and flowers.' KNA/AHM/1/1.
4. 1975 Ministry of Agriculture report, 'Development of exports in fresh fruits, vegetables and flowers.' KNA/AHM/1/1.
5. 1975 Ministry of Agriculture report, 'Development of exports in fresh fruits, vegetables and flowers.' KNA/AHM/1/1.
6. Interview, horticultural business association, Nairobi, 05/08/2016.
7. Internal HCDA correspondence, 'International export seminar.' KNA/AHM/1/1.
8. Interview, long-standing horticulture investor, Limuru, 12/08/2016.
9. Interview, journalist, Nairobi, 14/11/2016.
10. Interview, pioneer floriculture investor, Nairobi, 13/09/2016.
11. Interview, flower farm owner, telephone, 28/04/2017.
12. Interview, horticultural business association, Nairobi, 27/04/2017.
13. Interview, horticultural business association, Nairobi, 27/04/2017.
14. 1986 report on 'HCDA development plan'. KNA/AHM/2/1.
15. 1986 cabinet memorandum on 'Implementation of National Horticultural Policy and Kenyanisation of the horticultural industry.' KNA/ACW/1/418.
16. Interview, horticultural business association, Nairobi, 27/04/2017.
17. Interview, horticultural business association, 27/04/2017.
18. Interview, horticultural business association, 27/04/2017.
19. Interview, ex-HCDA official, Nairobi, 29/09/2016.
20. Interview, flower farm owner, Nairobi, 13/09/2016.
21. Interview, ex-Central Bank official, Nairobi, 18/04/2019.
22. Interview, journalist, Nairobi, 14/11/2016.
23. Interview, horticultural business association, Nairobi, 05/08/2016.
24. Interview, ex-KRA Commissioner, Nairobi, 09/05/2019.
25. Interview, horticultural business association, 27/04/2017.
26. Interview, horticultural business association, 27/04/2017.
27. Interview, horticultural business association, 27/04/2017.

28. Interview, horticultural business association, 27/04/2017.
29. Interview, horticultural business association, Nairobi, 05/08/2016.
30. Interview, HCDA official, Nairobi, 08/09/2016.
31. Interview, industry consultant, Nakuru, 09/08/2016.
32. Interview, horticultural business association, Nairobi, 13/09/2016.

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Data availability statement

The data that support the findings of this study are available to bona fide researchers, in anonymised form, on justifiable request to the corresponding author. The data are not publicly available due to the fact that they contain information that could compromise the privacy and confidentiality of research participants.

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Appendix

The data that underpins this paper was generated through two core research methods. These were employed during the researcher's main period of fieldwork between July and December 2016. The first method was document analysis, whereby the researcher surveyed relevant secondary and grey literature on Kenya's horticulture sector as well as an array of archival materials housed at the Kenya National Archives in Nairobi. These archival documents offered interesting – but, to be sure, also very incomplete – insights into the historical development of Kenya's horticulture sector, especially during the post-independence years. As far as possible, the researcher tried to enhance the validity of these fragmented and disparate archival records by adopting a form of process-tracing that attempted to fill in the (often very large) empirical gaps between them. This involved arranging the data chronologically and tracking a core set of themes and outcomes over time so as to elucidate the causal mechanisms. Additionally, this data gleaned from archival research was triangulated with a programme of key informant interviews, which was the second research method that the researcher employed during fieldwork. In particular, the researcher sought interviews with informants who were active during the early independence years, with the hope that they would be able to fill in some of the gaps identified. There were, however, inevitable limits to the progress that could be made here, given the length of time that has now passed and the dwindling number of informants who had both the health and memory to take part in an interview. Nonetheless, the researcher did interview several informants who were active within the sector from as early as the 1970s. Particularly fruitful interviews were held with former state officials, who were free to give their opinions on what happened when with the benefit of hindsight and were not subject to any official or personal confidentiality. These interviews formed part of a broader programme of thirty-nine interviews with the representatives of domestic and foreign firms across the fruit, vegetable and flower segments of Kenya's horticulture sector as well as with current and former officials at all relevant state organisations.